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**WEICHAI**  
**潍柴动力股份有限公司**  
**WEICHAI POWER CO., LTD.**

*(a joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 2338)**

**CONNECTED TRANSACTION**  
**SUBSCRIPTION OF REGISTERED CAPITAL IN TARGET CO**

The Board is pleased to announce that, on the date hereof, the Company has entered into the Agreement with Shantui Engineering, Shandong Zhonggong, Weichai Heavy-duty Machinery and Shaanxi Zhongqi in relation to the Capital Subscriptions by (i) the Company, (ii) Weichai Heavy-duty Machinery, (iii) Shaanxi Zhongqi and (iv) Shandong Zhonggong in Target Co.

The relevant Capital Subscriptions constitute a connected transaction of the Company and are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

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**I. THE AGREEMENT**

The details of the salient terms of the Agreement are as follows: –

**Date**

25 March 2010

## Parties

- (1) The Company, the principal business of which is the research and development, manufacture and sale of high speed heavy duty diesel engines and engine parts; and, through its subsidiaries, the manufacture and sale of heavy-duty trucks and motor vehicle parts and accessories for heavy-duty trucks;
- (2) Shantui Engineering, the principal business of which is the research and development, production, sale, leasing and repair of and provision of consultation service in regard to construction machinery, hoisting and conveying machinery, mining machinery, farmland construction machinery and harvesting machinery and the components;
- (3) Shandong Zhonggong, the principal business of which is the investment and corporate management, planning and organising the operations of enterprises in its group, and the research and development, production and sale of diesel engines and relevant products, construction machinery and other equipment and components;
- (4) Weichai Heavy-duty Machinery, the principal business of which is the manufacture and sale of medium-speed diesel engines and diesel engine parts and components, power generators and related products, and construction machinery and the provision of repair processing services for machinery parts; and
- (5) Shaanxi Zhongqi, the principal business of which is the manufacture and sale of heavy-duty vehicles and parts and components of heavy-duty vehicles.

Weichai Heavy-duty Machinery is held as to approximately 30.59% by Weichai Holdings, which is a holder of approximately 14.92% of the issued share capital of the Company and a promoter of the Company. Accordingly, Weichai Holdings is a connected person of the Company and therefore Weichai Heavy-duty Machinery, being an associate of Weichai Holdings, is also a connected person of the Company.

Shaanxi Zhongqi is a 51% subsidiary of the Company.

## Capital Subscriptions

Target Co will increase its registered capital, through the subscription of the registered capital in Target Co by each of Shandong Zhonggong, the Company, Weichai Heavy-duty Machinery and Shaanxi Zhongqi (each a “**Capital Subscription**”) in the aggregate amount of RMB740,000,000 in cash as follows:

<b>Party</b>	<b>Consideration (RMB)</b>	<b>Terms of payment/ subscription</b>
Shandong Zhonggong	200,000,000	<ul style="list-style-type: none"> <li>(i) RMB40,000,000 to be paid and subscribed prior to 31 March 2010;</li> <li>(ii) RMB80,000,000 to be paid and subscribed prior to 30 June 2010; and</li> <li>(iii) RMB80,000,000 to be paid and subscribed prior to 30 November 2010</li> </ul>
The Company	180,000,000	<ul style="list-style-type: none"> <li>(i) RMB36,000,000 to be paid and subscribed prior to 31 March 2010;</li> <li>(ii) RMB72,000,000 to be paid and subscribed prior to 30 June 2010; and</li> <li>(iii) RMB72,000,000 to be paid and subscribed prior to 30 November 2010</li> </ul>
Weichai Heavy-duty Machinery	180,000,000	<ul style="list-style-type: none"> <li>(i) RMB36,000,000 to be paid and subscribed prior to 31 March 2010;</li> <li>(ii) RMB72,000,000 to be paid and subscribed prior to 30 June 2010; and</li> <li>(iii) RMB72,000,000 to be paid and subscribed prior to 30 November 2010</li> </ul>
Shaanxi Zhongqi	180,000,000	<ul style="list-style-type: none"> <li>(i) RMB36,000,000 to be paid and subscribed prior to 31 March 2010;</li> <li>(ii) RMB72,000,000 to be paid and subscribed prior to 30 June 2010; and</li> <li>(iii) RMB72,000,000 to be paid and subscribed prior to 30 November 2010</li> </ul>

The said consideration under the relevant Capital Subscriptions was determined after arm's length negotiation between the Company and Shaanxi Zhongqi and the other parties and was determined based on the registered capital of Target Co.

After the completion of the Capital Subscriptions, Target Co will have an aggregate registered capital in the amount of RMB920,000,000, and the equity capital structure of Target Co will become as follows:

<b>Party</b>	<b>Approximate percentage of equity interest (%)</b>
Shantui Engineering	19.565%
Shandong Zhonggong	21.740%
The Company	19.565%
Weichai Heavy-duty Machinery	19.565%
Shaanxi Zhongqi	19.565%

#### **Other terms**

Pursuant to the Agreement, each of Shantui Engineering, Shandong Zhonggong, the Company, Weichai Heavy-duty Machinery and Shaanxi Zhongqi shall not transfer its equity interest in Target Co within two years after completion of the Capital Subscriptions.

#### **Information on Target Co**

Target Co is a private enterprise established by Shantui Engineering in the PRC in March 2009 with a registered capital of RMB180,000,000. Prior to completion of the Capital Subscriptions, Target Co is wholly-owned by Shantui Engineering, an enterprise established in the PRC which is held as to approximately 21.10% by Shandong Zhonggong, a PRC State-owned enterprise. The principal businesses of Target Co include the leasing and financing of engineering machinery, diesel engines and heavy-duty vehicles.

Based on the audited financial statements of Target Co, the net asset value of Target Co as at 31 December 2009 prepared in accordance with the PRC GAAP was approximately RMB180,107,000.

Based on the audited financial statements of Target Co, the net profit before and after tax of Target Co for the period from its establishment in March 2009 to 31 December 2009, prepared in accordance with the PRC GAAP, were approximately RMB203,000 and approximately RMB107,000, respectively.

## II. REASONS FOR THE CAPITAL SUBSCRIPTIONS

The purpose of the Capital Subscriptions is for the Group to participate in a business which would facilitate the Group's business expansion. Under the relevant business model, if implemented, it is expected that the Group will, on a continual basis, sell certain equipment ("**Equipment**") including diesel engines and vehicles to an agent ("**Agent**"), which will in turn sell the same to Target Co. Target Co will then lease the Equipment to the end-users. As part of the said business model, the Agent will provide a guarantee to Target Co that in the event that the relevant customers are in default under the Equipment leases, the Agent will repurchase such Equipment from Target Co and the Group will buy back the same Equipment. It is expected that Shantui Engineering and Weichai Heavy-duty Machinery will adopt the same business model.

The Board is of the view that the Capital Subscriptions to be made by the Group and the above business model are in line with the Group's policy of expansion and will benefit the development of the Group's business as a whole.

The Board (including the independent non-executive Directors) considers that the terms of the Capital Subscriptions to be made by the Group are fair and reasonable, are normal commercial terms and are in the interest of the Company and the Shareholders as a whole.

## III. LISTING RULES IMPLICATIONS

As both the Group and its connected person are parties to the Agreement, and certain of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) for the relevant Capital Subscriptions are more than 0.1% but less than 2.5% and the consideration involved shall be more than HK\$1,000,000, in accordance with Chapter 14A of the Listing Rules, the relevant Capital Subscriptions are subject to the reporting and announcement requirements under the Chapter 14A of the Listing Rules.

## IV. DEFINITIONS

In this announcement, the following terms and expressions (unless the context otherwise requires) shall have the following meanings:

"Agent"	has the meaning ascribed to it under the section headed "II. Reasons for the Capital Subscriptions" in this announcement
"Agreement"	the increase in capital and subscription agreement dated 25 March 2010 as more particularly set out in the section headed "I. The Agreement" in this announcement
"Capital Subscription(s)"	has the meaning ascribed to it under the section headed "I. The Agreement" in this announcement

“Company”	濰柴動力股份有限公司 (Weichai Power Co., Ltd.), a joint stock limited company incorporated in the PRC with limited liability
“Directors”	the directors of the Company
“Equipment”	has the meaning ascribed to it under the section headed “II. Reasons for the Capital Subscriptions” in this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“PRC GAAP”	the generally accepted accounting principles of the PRC
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Shaanxi Zhongqi”	陝西重型汽車有限公司 (Shaanxi Heavy-duty Motor Co., Ltd.), a company established in the PRC
“Shandong Zhonggong”	山東重工集團有限公司 (Shandong Heavy Industry Group Co., Ltd.), a PRC State-owned enterprise
“Shantui Engineering”	山推工程機械股份有限公司 (Shantui Engineering Machinery Co., Ltd.), an enterprise established in the PRC
“Shareholder(s) ”	holder(s) of the shares in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Co”	山推租賃有限公司 (Shantui Leasing Co., Ltd.), an enterprise established in the PRC
“Weichai Heavy-duty Machinery”	濰柴重機股份有限公司 (Weichai Heavy Duty Machinery Co., Ltd.), a company established in the PRC

“Weichai Holdings”

潍柴控股集团有限公司 (Weichai Group Holdings Limited), a company established in the PRC; and

“%”

per cent.

By order of the Board  
**Tan Xuguang**  
Chairman and CEO

Hong Kong, 25 March 2010

*As at the date of this announcement, the executive Directors of the Company are Mr. Tan Xuguang, Mr. Xu Xinyu, Mr. Sun Shaojun and Mr. Zhang Quan; the non-executive Directors of the Company are Ms. Zhang Fusheng, Mr. Liu Huisheng, Mr. Yao Yu, Mr. Yeung Sai Hong, Mr. Chen Xuejian, Mr. Li San Yim, Mr. Julius G. Kiss, Ms. Han Xiaoqun, Mr. Gu Linsheng, Mr. Li Shihao and Mr. Liu Zheng; and the independent non-executive Directors of the Company are Mr. Zhang Xiaoyu, Mr. Koo Fook Sun, Louis and Mr. Fang Zhongchang.*